

EVERYTHING CHANGES

Florida Municipal Power Agency
2004 Annual Report



The electric utility industry is changing. FMPA is changing too. We're reinventing the way we do business so that the end result—reliable, low-cost power for our communities—always stays the same.

VINCE RUANO
Vice Chairman, FMPA Board of Directors
City Manager, Bushnell
(Cover: Vince Ruano 1985)

NOTHING CHANGES





SITE MGMT

EM - REPORTS

{ BOARD APPROVALS }

Program

Standardization

Supply Chain

Construction

Fuel

LIFE

“2004 wasn’t an easy year.

Dynamic change in our industry put stress on electric utilities nationwide, and Florida’s utilities were tested by an unusually harsh hurricane season. When you see how well FMPA and its members responded to these challenges, I think you’ll agree 2004 was a landmark year for FMPA.”

“FMPA’s members are launching bold, new strategic initiatives to stay ahead of changes in our business. Working together through FMPA, Florida’s municipal electric utilities have power to control our own destiny. Even in the most tempestuous times, FMPA enables us to keep doing what we’ve always done best—serving our communities.”

ELIE J. BOUDREAUX III
Chairman, FMPA Board of Directors,
Director of Fort Pierce Utilities Authority



REPORT FROM MANAGEMENT

CONTROLLING PRICE RISK

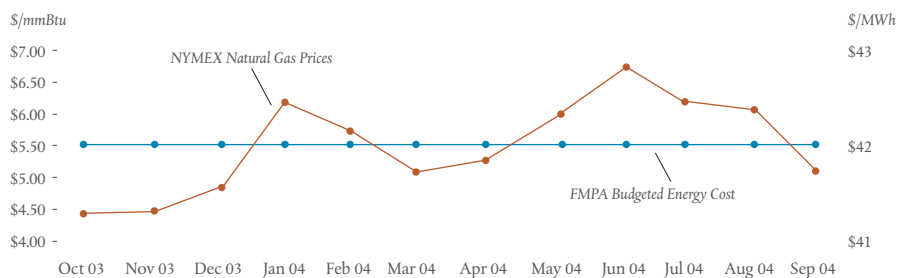
Changes in today's energy marketplace are primarily driven by a transformation in the nation's natural gas markets. Only a few years ago, natural gas was affordable and plentiful, and its status as a clean-burning energy source made it the fuel of choice for most new power plants. Today, natural gas prices are increasingly volatile and have skyrocketed to unprecedented heights. Long-term price forecasts suggest this trend will continue.

Fuel is an electric utility's largest variable operating expense, so volatile natural gas prices significantly impact utilities and their customers. To mitigate price volatility, FMPA has developed a sophisticated fuel acquisition and natural gas price hedging program. This year alone, the program insulated our All-Requirements Project from millions of dollars in price risk.

LOWERING POWER COSTS

Our fuel management program minimizes price volatility, but we are not content just to stabilize power costs. We want to reduce power costs. FMPA set into motion this year new programs that could lower power costs over time, enabling us to resume our long-running tradition of providing the lowest wholesale power costs in Florida.

FMPA and several other consumer-owned electric and gas utilities in the southeast United States are forming a first-of-its-kind natural gas supply agency. The agency, called Public Gas Partners, will acquire producing gas reserves or other long-term gas supplies to obtain price discounts and economies of scale.



Managing the Price Volatility of Natural Gas. Despite significant natural gas price volatility, FMPA's fuel hedging program enabled the All-Requirements Project to come within 2% of its budgeted energy cost for the year.

Fuel is an electric utility's largest variable operating expense, so volatile natural gas prices significantly impact utilities and their customers. To mitigate price volatility, FMPPA has developed a sophisticated fuel acquisition and natural gas price hedging program.

FMPA completed a study this year that provides a blueprint for our future power supply development. This plan identifies the best combination of resources to provide reliable power at the lowest cost.

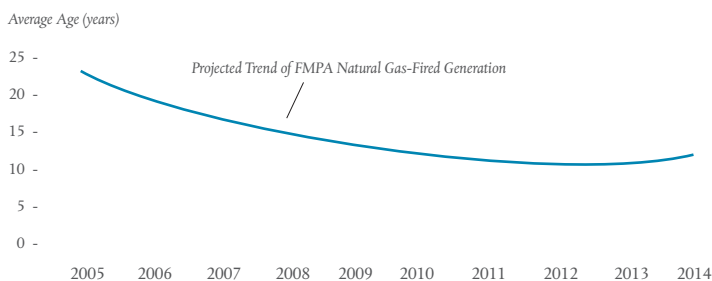
Secondly, introducing new options for supplying natural gas to the marketplace could lead to lower prices. FMPA and several other consumer-owned utilities are investigating opportunities to diversify our fuel sources by purchasing Liquefied Natural Gas, which can be imported from international sources.

Finally, a fuel-diverse generation mix is absolutely essential to stabilizing and lowering power costs in the long term. To diversify our fuel portfolio, FMPA and several of our consumer-owned utility partners are investigating the development of a technologically advanced, environmentally sensitive coal-fired power plant.

MODERNIZING THE FLEET

Another essential step on our path to lower power costs is modernizing our All-Requirements Project's fleet of power plants. FMPA completed a study this year that provides a blueprint for our future power supply development. This plan identifies the best combination of resources to provide reliable power at the lowest cost.

To execute our plan, FMPA is transitioning from a power supply project taker to a project maker. In our early years, FMPA's strategy of becoming a partner in other utilities' projects enabled us to diversify our generation assets with small ownership interests in various power plants. Today, FMPA is large enough to develop its own generating facilities, selecting those that best meet our members' needs, while maintaining prudent size and fuel diversity.



Modernizing Our Natural Gas Generation Fleet. Over the next 10 years—with new power plant additions and expected retirements of older plants—FMPA anticipates cutting the average age of its natural gas-fired generation in half.

WHAT'S NOT CHANGING

Change is inevitable. So are FMPA's efforts to stay ahead of the curve and adapt in ways that help fulfill our mission of providing reliable, low-cost power.

Our members continue a long-standing tradition of working together to solve their challenges. In response to the extensive damage caused by Hurricanes Charley, Frances, Ivan and Jeanne, hundreds of municipal lineworkers converged on the effected areas to quickly and safely restore power to customers. In response to the changing fuel market, our members are proactively managing costs and developing an efficient new fleet of power stations. We do all this to provide the same reliable, economical power our customers have come to depend on.

While the future is sure to bring new challenges, we know we will overcome them the same way we always have. We will find new solutions by leveraging the collective knowledge, skills and talents of our members and our employees. We will make the right decisions by seeking the mutual benefit of all our communities. We will control our destiny by standing united by our common commitment to those we serve.

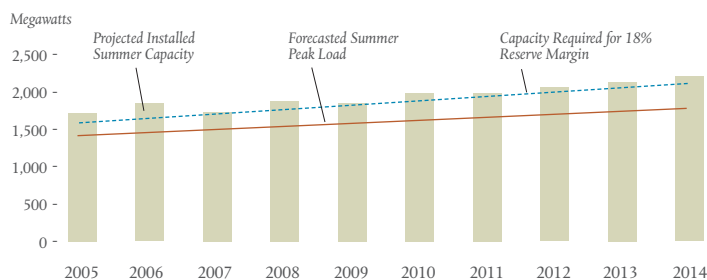
By focusing on our mission of serving customers and staying true to our "all for one, one for all" philosophy, we remain confident in our future and certain in our belief that while everything changes, nothing changes.



ELIE J. BOUDREAUX III
Chairman, Board of Directors



ROGER A. FONTES
General Manager and CEO



Maintaining FMPA's Unblemished Reliability Record. FMPA is planning for new power supply resources over the next 10 years that will more than meet our forecasted summer peak load and provide a minimum 18% reserve margin.

Our members continue a long-standing tradition of working together to solve their challenges. We will find new solutions by leveraging the collective knowledge, skills and talents of our members and our employees.

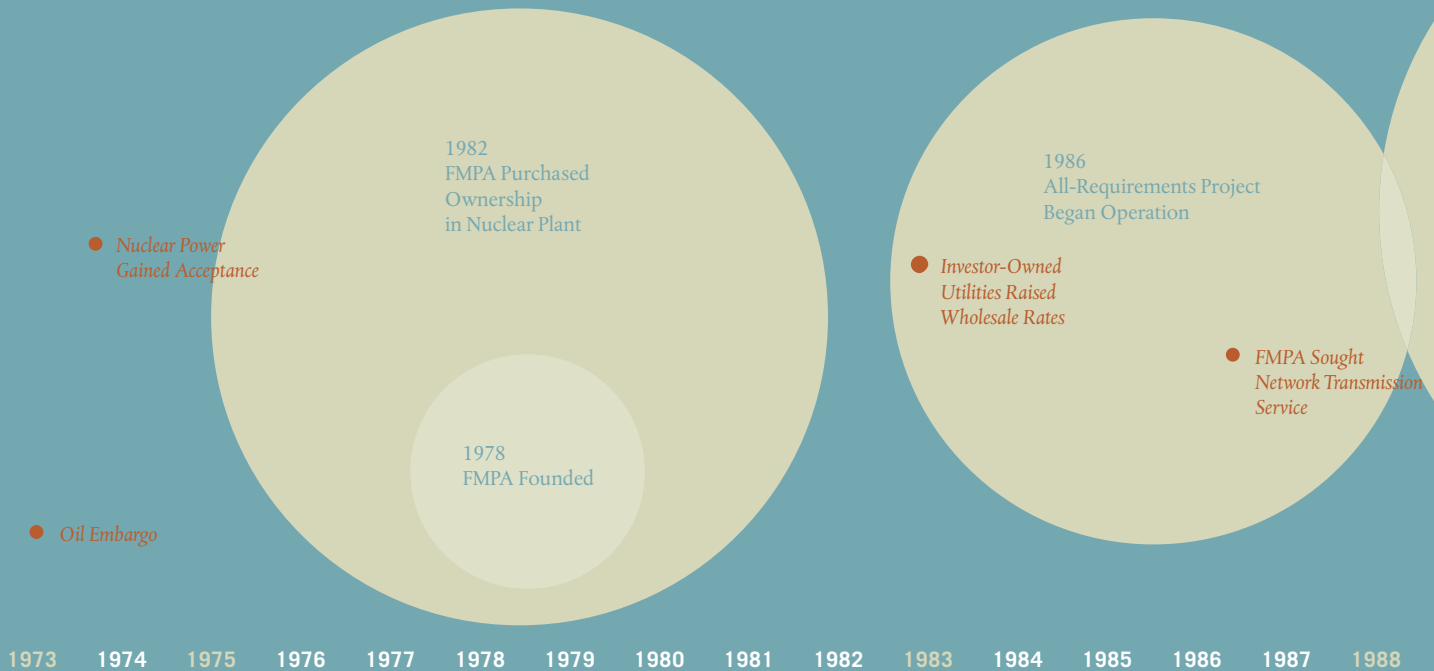


Times change. So do we.

But at our core we remain true
to the guiding principles that
have always seen us through.

REBECCA MATTEY
FMPA Board of Directors
Director, Ocala Electric Utility

CHANGES OVER THE YEARS



1973 OIL EMBARGO

The embargo caused oil prices to increase dramatically, resulting in significant fuel cost increases for electric utilities and consumers.

1970s NUCLEAR POWER GAINED ACCEPTANCE

During the energy crisis, nuclear power emerged as an alternative to fossil fuel generation.

1980s INVESTOR-OWNED UTILITIES RAISED WHOLESALE RATES

A lack of competition among wholesale power suppliers meant municipals were captive to their main competitors that routinely passed along pancaking rate increases.

LATE-1980s FMPA SOUGHT NETWORK TRANSMISSION SERVICE

Knowing that transmission was key to future competitiveness, FMPA members sought equitable access to the high-voltage, interstate transmission network.

1978 FMPA FOUNDED

Municipal utilities formed FMPA to create economies of scale in power generation and to diversify their power resources.

1982 FMPA PURCHASED OWNERSHIP IN NUCLEAR PLANT

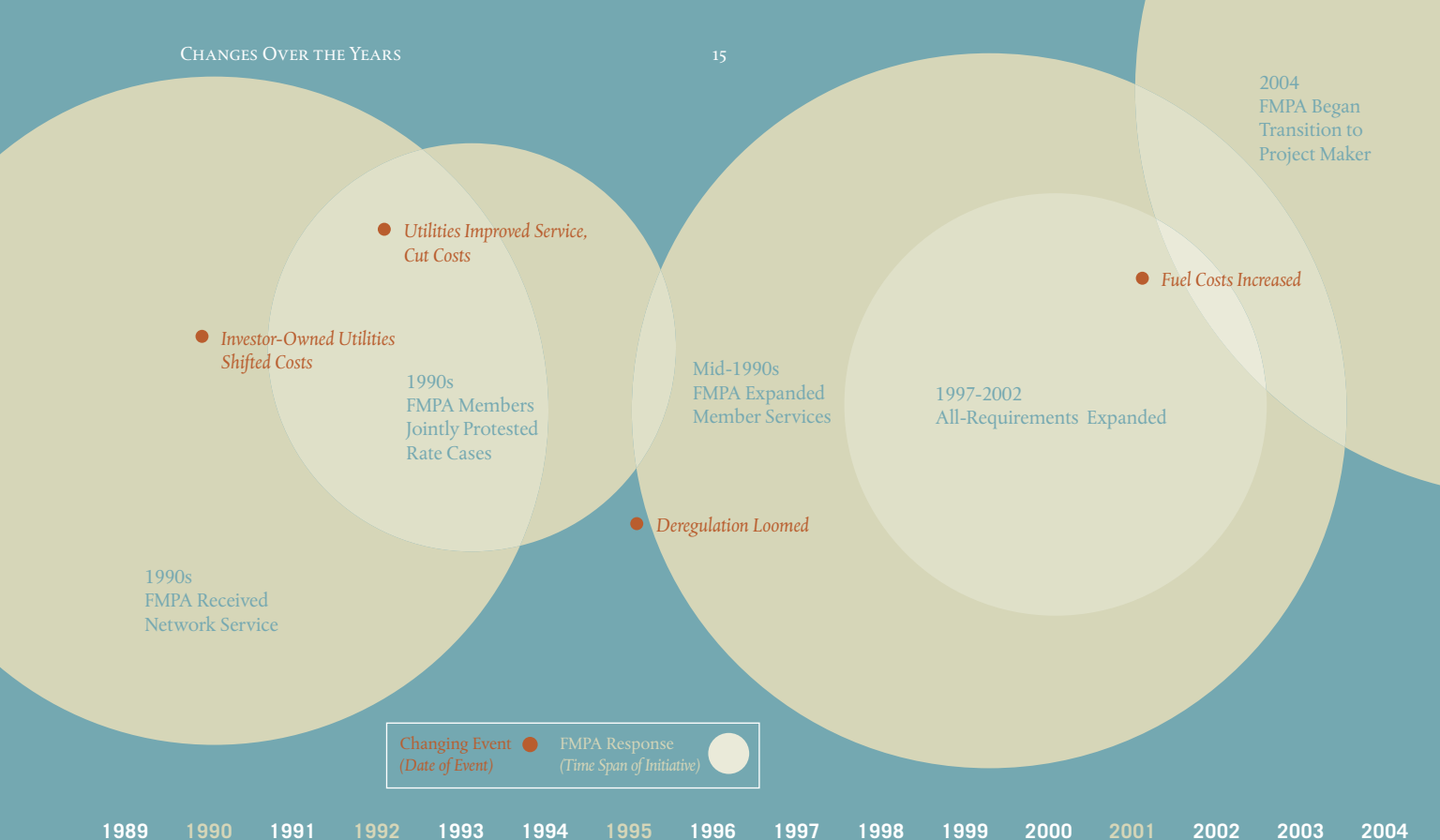
Florida cities fought for and won the right to purchase an 8.8% ownership in an 838 MW nuclear power plant, which became FMPA's first power supply project.

1986 ALL-REQUIREMENTS PROJECT BEGAN OPERATION

FMPA's All-Requirements Project was formed to serve the wholesale power needs of five members.

1990s FMPA RECEIVED NETWORK SERVICE

FMPA prevailed in a precedent-setting transmission access case, enabling the All-Requirements Project to expand by adding cities with generation facilities.

**EARLY-1990S INVESTOR-OWNED UTILITIES SHIFTED COSTS**

Investor-owned utilities proposed major rate increases and costly changes to interchange contracts, raising costs for municipal electric utilities.

1990S FMPA MEMBERS JOINTLY PROTESTED RATE CASES

FMPA coordinated joint responses to rate cases in a way that was more efficient and effective than when each system participated individually.

MID-1990S UTILITIES IMPROVED SERVICE, CUT COSTS

Conscious of the need to enhance efficiency, utilities focused on better, faster, cheaper ways of doing business.

MID-1990S FMPA EXPANDED MEMBER SERVICES

FMPA expanded its traditional role as a power supplier to include joint member services.

LATE-1990S DEREGULATION LOOMED

With deregulation looming in some states, utilities sought greater economies of scale and strategic opportunities to enhance competitiveness.

1997-2002 ALL-REQUIREMENTS EXPANDED

Nine cities joined the All-Requirements Project in five years, increasing its membership to 15 and making it one of the largest municipal utilities in the country.

2001 FUEL COSTS INCREASED

Sustained natural gas prices forced utilities nationwide, including FMPA, to raise energy rates.

2004 FMPA BEGAN TRANSITION TO PROJECT MAKER

FMPA took the initiative to create a fuel hedging program and spearhead the development of new economical power plants.

THINGS ARE CHANGING



Cane Island Unit 3 is a combined-cycle unit, a popular type of power plant that efficiently converts clean-burning natural gas to electricity.

The volatility of natural gas prices has rapidly increased since late-2000, and long-term prices have nearly tripled. The duration of the most recent price run-up suggests that this may not just be a spike but more likely a **new price paradigm**.

GROWING DEPENDENCE

Natural gas has become the fuel of choice for new power plants, owing largely to its status as a clean-burning fuel. Five years ago, FMPA's generation base was 43% coal-fired power and 21% natural gas. Today, those relationships have flipped to 25% coal and 40% natural gas. Statewide, by 2006, Floridians will get 50% of their power from natural gas-fired generation.

CUSTOMERS PAY THE PRICE

Fuel is the largest variable operating expense for electric utilities. A \$1 per million Btu increase in gas costs can increase the cost of power made by a natural-gas fired unit by \$7 to \$12 per Megawatt-hour, depending on the plant's efficiency. Since fuel expenses are passed along to electric customers at cost, it's consumers who ultimately pay the price.

FMPA Is RESPONDING



FMPA's members are adapting to change so their communities' traditions, like Mount Dora's annual display of holiday lights, can continue for many years to come.

FMPA is managing rising fuel prices in the short term with a sophisticated fuel-hedging program. To lower costs in the long term, FMPA is leading initiatives to acquire natural gas supplies, access international fuel sources and diversify Florida's generation mix.

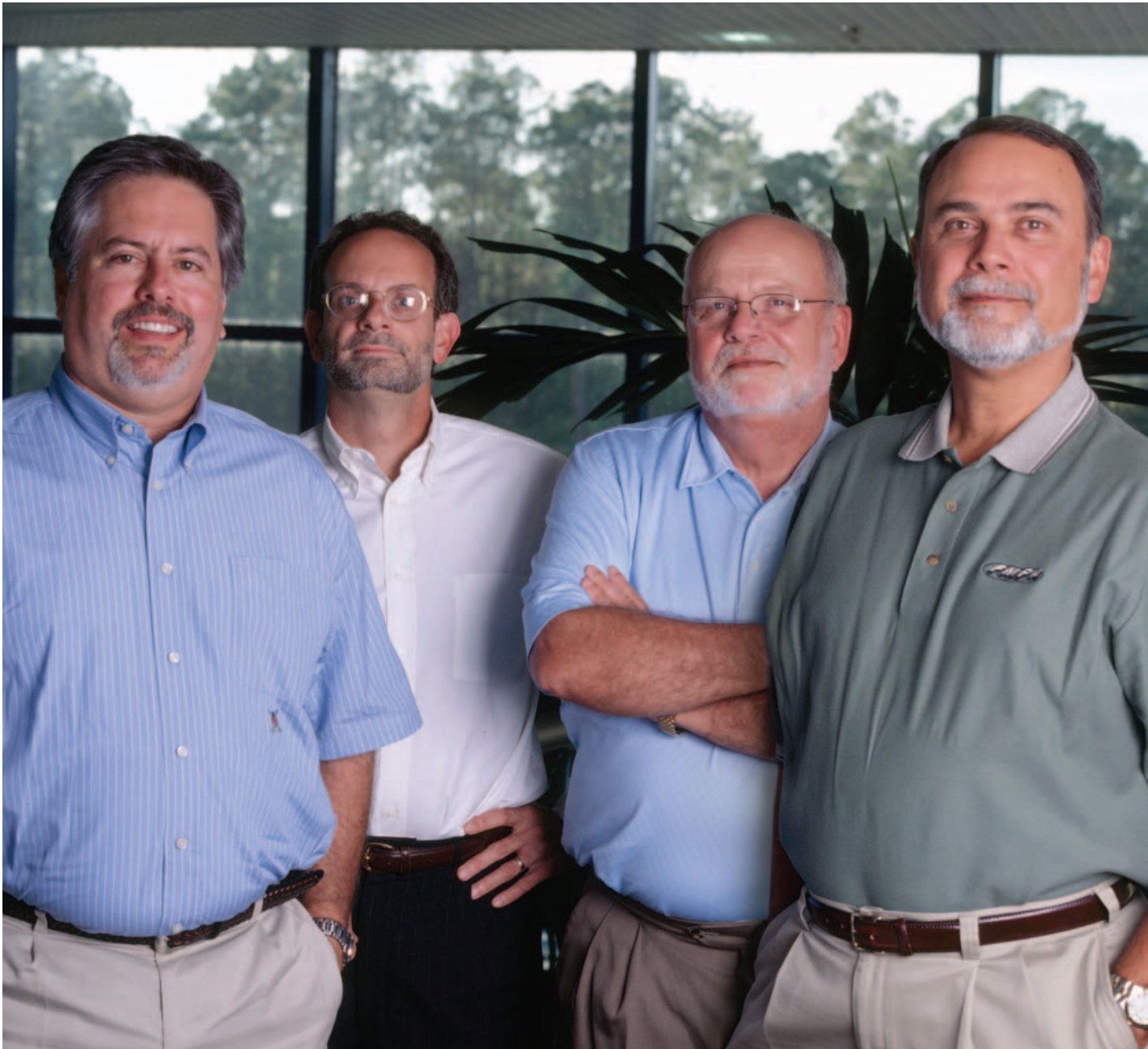
MODERNIZING THE FLEET

Due to significant projected load growth and the need to retire aging power plants, FMPA must add perhaps a dozen new power stations in the next 15 years. FMPA's members approved a long-term generation expansion plan for the All-Requirements Project that is already being implemented.

PROJECT TAKER TO PROJECT MAKER

FMPA is taking the lead to develop its own power projects that reliably and economically meet its members' power supply needs. To facilitate this important transition, FMPA added staff with project management expertise and enhanced its organizational structure to address several new initiatives.

WHAT FMPA IS NOT CHANGING



Ed Leongomez of Fort Pierce Utilities Authority, Mark Larson of FMPA, Carl "Skip" Jansen of Keys Energy Services and Rick Casey of FMPA are among the FMPA members and staff who carry on a long-running tradition of working together to overcome challenges.

The mission of FMPA is to develop economical and competitive power supply projects, to be proactive in providing member services and to promote the image of public power, enabling its member utilities to succeed in a rapidly changing environment.

OUR FOUNDATION

Looking at FMPA this year, it's easy to see how we're changing. FMPA has new ideas, new capabilities, even some new faces. But, as is often the case, the things that don't change—our heart and soul, our mission, vision and values—are less visible but so much more long-lasting and important. Our unwavering commitment to the mutual betterment of our members' communities underlies everything we do. It's a solid foundation.

OUR VISION

In changing times, FMPA's members rely upon the "all for one, one for all" philosophy that has always served them well. Working together honestly and openly to leverage their collective strength, FMPA's members can adapt to changing times and provide the same reliable, economical power and personal service their customers have come to expect. In other words, no matter how much everything changes, nothing changes.

FMPA AT A GLANCE

FMPA

Florida Municipal Power Agency (FMPA) is a wholesale power company owned by 29 municipal electric utilities. FMPA provides economies of scale in power generation and related services to support community-owned electric utilities.

JOINT ACTION

Each utility is locally owned and operated; however, municipal utilities share common concerns that can best be solved by working together. For example, by coordinating the power supply needs of several municipalities, a larger, more efficient plant can be built and other economies of scale help reduce the cost of power. In addition, through joint action, municipal utilities can obtain power from several power plants rather than depend on the operation and cost of fewer plants.

AUTHORITY

Local governments are authorized by Florida Statutes to enter together into mutually advantageous agreements that create a separate legal entity. FMPA was formed in 1978 as one such governmental legal entity. FMPA is specifically authorized under Florida law to undertake specific joint projects for its members and to issue tax-exempt bonds and other obligations to finance the costs of such projects. FMPA is also authorized to implement a pooled financing program for utility-related projects of FMPA and its members.

MEMBERSHIP

Twenty-nine municipal electric systems, serving approximately 1.8 million Floridians, are members of FMPA. Each member appoints one representative to FMPA's Board of Directors, which governs the Agency's activities. The Board elects 13 members to an Executive Committee that is delegated certain responsibilities for the month-to-month operations of the Agency.

FINANCES

Due to the diverse needs of municipal electric systems, FMPA was established as a project-oriented agency. Under this structure, each member has the option whether or not to participate in a project. Members may join more than one project; however, each project is independent from the others, so no revenues or funds available from one project can be used to pay the costs of another project.

PROJECTS

FMPA has five power supply projects and one pooled financing project. As of Sept. 30, 2004, the Agency supplied all the power needs for 15 of its members and some of the power needs for five of its members. Some members do not currently participate in a project. FMPA supplies more than 40% of its members' power needs.

MEMBER LISTING BY PROJECT

MEMBER CITIES	POOLED LOAN	ALL-REQUIREMENTS	ST. LUCIE	STANTON	TRI-CITY	STANTON II
1. Alachua			0.3 MW			
2. Bartow						
3. Bushnell	†	9 MW ⁽¹⁾				
4. Chattahoochee						
5. Clewiston	†	31 ⁽¹⁾	1.6			
6. Fort Meade	†	11 ⁽¹⁾	0.2			
7. Fort Pierce	†	124 ⁽¹⁾	11.2	15.4 MW	5.1 MW	16.4 MW
8. Gainesville						
9. Green Cove Springs		25 ⁽¹⁾	1.3			
10. Havana		8 ⁽¹⁾				
11. Homestead			6.1	7.7	5.1	8.2
12. Jacksonville Beach		180 ⁽¹⁾	5.4			
13. Key West		141 ⁽¹⁾			12.3	9.9
14. Kissimmee		302 ⁽¹⁾	6.9	7.7		32.9
15. Lake Worth	†	93 ⁽¹⁾	18.3	10.2		
16. Lakeland						
17. Leesburg		109 ⁽¹⁾	1.7			
18. Moore Haven			0.3			
19. Mount Dora						
20. New Smyrna Beach	†		7.3			
21. Newberry		7 ⁽¹⁾	0.1			
22. Ocala		288 ⁽¹⁾				
23. Orlando						
24. Quincy						
25. St. Cloud						14.6
26. Starke		19 ⁽¹⁾	1.6	1.5		1.2
27. Vero Beach		163 ⁽¹⁾	11.2	20.5		16.4
28. Wauchula						
29. Williston						
Total Megawatts		1,510 MW ⁽¹⁾	73.5 MW	63.0 MW	22.5 MW	99.6 MW

† Members with loans outstanding as of Sept. 30, 2004, not including loans to some FMPA projects.

⁽¹⁾ Participants' noncoincident peak demand in fiscal 2004. Includes demand served by: 1) Entitlement shares of St. Lucie, Stanton, Tri-City and Stanton II projects for All-Requirements members that are also in these projects, and 2) Portions of Crystal River Unit 3 individually owned by some members.

FINANCIAL HIGHLIGHTS

	FISCAL 2004	FISCAL 2003	CHANGE	PROJECT DESCRIPTION
All-Requirements Project				
Kilowatt-Hours Delivered	7,066,143,000	7,049,160,992	0.2%	All-Requirements Project provides all the wholesale power needs for 15 members.
Kilowatt-Hours Sold	6,377,973,210	6,374,568,600	0.1%	
Sales to Participants	\$399,391,878	\$368,157,429	8.5%	
Over-Recoveries Due to Participants	(\$5,643,670)	(\$17,419,184)	-67.6%	
Cost per Kilowatt-Hour Sold in Cents	6.35	6.05	5.0%	
St. Lucie Project				
Kilowatt-Hours at Plant	583,185,264	574,205,737	1.6%	St. Lucie Project is an 8.8% ownership interest in St. Lucie Unit 2, an 838 MW nuclear power plant.
Sales to Participants	\$35,288,522	\$32,481,692	8.6%	
Cost per Kilowatt-Hour Billed in Cents	6.05	5.66	6.9%	
Stanton Project				
Kilowatt-Hours Generated	456,163,938	459,515,522	-0.7%	Stanton Project is a 14.8% ownership interest in Stanton Unit 1, a 425 MW coal-fired power plant.
Sales to Participants	\$20,295,366	\$19,041,354	6.6%	
Cost per Kilowatt-Hour Billed in Cents	4.45	4.14	7.5%	
Tri-City Project				
Kilowatt-Hours Generated	163,082,280	159,372,606	2.3%	Tri-City Project is a 5.3% ownership interest in Stanton Unit 1, a 425 MW coal-fired power plant.
Sales to Participants	\$8,439,288	\$8,023,576	5.2%	
Cost per Kilowatt-Hour Billed in Cents	5.17	5.03	2.8%	
Stanton II Project				
Kilowatt-Hours Generated	726,603,911	693,272,171	4.8%	Stanton II Project is a 23.2% ownership interest in Stanton Unit 2, a 429 MW coal-fired power plant.
Sales to Participants	\$34,323,527	\$29,804,306	15.2%	
Cost per Kilowatt-Hour Billed in Cents	4.72	4.30	9.8%	
Pooled Loan Fund				
Outstanding Commercial Paper	\$94,836,000	\$93,589,000	1.3%	Pooled Loan Fund is a financing program that makes low-cost loans for utility-related needs.

GENERAL INFORMATION

Internet Address

Current information about FMPA is available on the Internet at www.fmpa.com.

Electronic Delivery of Financial Documents

If you wish to receive future annual reports or quarterly financial reports via e-mail in Adobe® Portable Document Format, please send your request to pr@fmpa.com. The FMPA 2004 Annual Report and quarterly financial information are available on FMPA's web site at www.fmpa.com in the "News" section. If you wish to receive FMPA's financial statements in printed form, rather than CD, please send your request to pr@fmpa.com or call the Public Relations department at (407) 355-7767.

Investor Relations

Requests for financial information may be directed to FMPA's spokesperson at its Orlando office or pr@fmpa.com.

Media or Other Inquiries

Media or other inquiries may be directed to FMPA's spokesperson at its Orlando office or pr@fmpa.com.

Consultants

Bond Counsel: Nixon Peabody LLP. Consulting Engineer: R.W. Beck, Inc. Certified Public Accountants: Purvis, Gray and Company. Financial Advisor: Dunlap & Associates, Inc.

Underwriters

FMPA's underwriters: A.G. Edwards & Sons, Banc of America Securities LLC, Bear, Stearns & Co., JPMorgan, Merrill Lynch & Co., Morgan Stanley, Smith Barney Citigroup, UBS.

Caution Concerning Forward-Looking Statements

This document may include certain forward-looking statements. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances that may have a material affect on actual results.

Annual Report

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Florida Municipal Power Agency
Community Power. Statewide Strength.